

Fraud Awareness Newsletter

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Courtesy of the

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Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office**



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Prosecutions Smuggling

A three-count indictment was returned against Ronald Dean Garlick, owner of Garlick Helicopters, Hamilton, MT, charging him with entry of goods by false statements, smuggling goods into the United States and false statements in importation documents. Garlick allegedly made false statements on U.S. Customs importation documents in an attempt to import prohibited military weapons from Spain through the Port of Houston. The weapons, valued at \$400,000, included 20mm machine gun barrels, housings and assemblies, 40mm grenade launcher barrels and a 40mm grenade launcher. Special Agent Ray Perego,

Houston Resident Agency (RA), is conducting the investigation with the U.S. Customs Service (USCS).



Health Care

An indictment was returned against Lawrence D. Agoos, former owner of Agoos and Associates, Swansea, IL, charging him with providing a false statement. From July 1988 through February 1994, Agoos concealed his lack of qualifications and certifications from the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) in association with psychological services he provided CHAMPUS beneficiaries and dependents. Agoos allegedly led CHAMPUS to believe he had a Ph.D. in counseling from Texas A&M University, thus allowing him to claim higher payments for his services. Special Agent Colleen Nichols-Muschler, Central Field

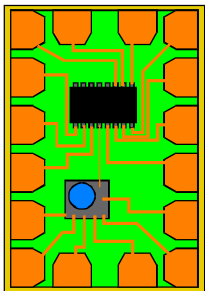
Office (FO), is conducting the investigation.



Witness Tampering

An indictment was returned against Elizabeth J. Rogers and Aubrey L. Rogers, residents of Belleville, IL, charging each with witness tampering and also charging Elizabeth Rogers with theft of Government property. Elizabeth Rogers, on-site manager for Specialized Services, Incorporated (SSI), Scott Air Force Base, IL, allegedly obtained 18 payroll checks of a former employee by submitting false timecards. She then deposited the payroll checks in her personal checking account. Initially the former employee stated she worked for SSI about a year and that Elizabeth Rogers cashed her payroll checks. Later, the employee recanted her statement. The former employee worked for SSI only 3 months, never gave permission to have her payroll checks cashed and received \$4,000 from Aubrey Rogers and was told to lie to the investigators. In addition, the former employee received a cashier's check

for \$9,956.20 equal to the amount of wages falsely obtained. Special Agent Steven Wattles, Central FO, is conducting the investigation with the Internal Revenue Service (IRS).



Customs Violations

An information was filed against NTU Electronics, Incorporated (NTU), Largo, FL, and Timothy WU, NTU owner and president, charging each with one count of entry of goods by means of false statements. Wu allegedly allowed an unapproved Underwriters Laboratory (UL) facility in China to manufacture thousands of bare circuit boards, place NTU's UL code on the boards, then ship them to NTU. Some of the boards shipped from China to NTU were permanently marked "Made in U.S.A." and covered with a small piece of easily removable tape marked "Made in China." After the tape was removed, the boards were provided by NTU to Department of Defense (DoD) and commercial contractors and other unsuspecting customers. Special Agent Charles Piper, Orlando RA, is conducting the investigation with the USCS.

Fasteners

An information was filed against Frank J. Rizzo, Jr., president and owner of Keystone

Tool and Machine Company (Keystone), Darby, PA, charging him with two counts of mail fraud. Rizzo controlled and directed the operation of Gerda Fasteners and Components, Incorporated (Gerda), Claymont, DE, a distributor of Keystone manufactured parts. From 1990 to 1996, Keystone and Gerda provided aircraft and machine type parts to the DoD and its contractors. The parts were often used in safety critical military applications. Rizzo allegedly provided nonconforming parts, to include certificates of conformance and vendor certifications that falsely represented the parts met applicable military specifications. Special Agent Leia Burks, Northeast FO, is conducting the investigation with the Federal Bureau of Investigation (FBI), the Naval Criminal Investigative Service (NCIS), the Air Force Office of Special Investigations (AFOSI) and the Department of Transportation (DoT).



Product Substitution

An information was filed against Electro-Transfer Systems, Incorporated (ETS), South Bend, IN, charging that ETS provided nonconforming materials. The ETS provided main engine wiring harnesses for use on the military High-Mobility Multi-

purpose Wheeled Vehicle (HMMWV). An investigation determined ETS allegedly manufactured the harnesses using an acid solder flux ETS knew did not meet the military's requirement of rosin flux, then falsely certified that the correct flux was used. Special Agent John Edmiston, Dayton RA, is conducting the investigation with the U.S. Army Criminal Investigation Command (USACIDC).

Welfare Fraud

A complaint was filed against Denise M. Hubert, also known as Maria D. Lopez, Philadelphia, PA, charging her with welfare fraud. From about July 1, 1992 through April 30, 1994, Hubert obtained \$16,767 in welfare benefits by allegedly representing to the Pennsylvania Department of Public Welfare that she had no employment income. An investigation revealed Hubert earned over \$20,814 from the Defense Personnel Support Center, Philadelphia, PA, during the same period, while working under the alias "Maria D. Lopez." Special Agent Margaret Maestas, Northeast FO, is conducting the investigation with the Office of Inspector General (OIG), Commonwealth of Pennsylvania.

Fast Pay Fraud

Cabel Calloway pled guilty to one count of mail fraud. As the owner and president of Allied Tools, Limited; Industrial Distribution Supply Services, Incorporated; C.I. Industries, Incorporated, and Industrial Materials Corporation, all located in Washington, D.C., Calloway defrauded the DoD of over

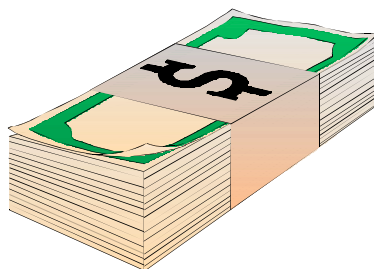
\$78,000. From 1991 to 1997, Calloway used the above companies to obtain about 200 small dollar contracts from the Defense Logistics Agency Defense Supply Centers in Richmond, VA, and Columbus, OH. Under those contracts, he provided goods directly from manufacturers to military bases and various other DoD facilities. Due to the small dollar amount of the contracts, Calloway was permitted to bill the DoD under fast payment procedures. Some of the goods invoiced for and paid for were never provided by Calloway. By using multiple company names and fictitious employee names, Calloway concealed his scheme and obtained additional DoD contracts. Special Agent Shane O'Neill, Mid-Atlantic FO, conducted the investigation.



Kickbacks

James L. Conner, former planner and estimator with QED Systems, Incorporated (QED), Chesapeake, VA, pled guilty to one count of receiving kickbacks. Conner accepted an \$1,800 kickback payment from Clarence G. Hoffman, a former manager for Craft Repair, Incorporated (Craft), Hampton, VA. At the time, Craft was performing ship

repair subcontracts for QED, the DoD prime contractor. Hoffman previously pled guilty and was sentenced. Special Agent Steven Simpson, Norfolk RA, conducted the investigation with the NCIS.



Product Substitution

Stephen Hasson and his company, Arjay Electronics (Arjay), Havertown, PA, each pled guilty to one count of mail fraud. Hasson and Arjay obtained surplus and remanufactured electrical connectors, then sold them to the Government and private entities as new. The connectors had critical applications in commercial and military aircraft, as well as military submarines and missile systems. Special Agent John Hoffman, Northeast FO, conducted the investigation jointly with the FBI.

Theft of Surplus

Robert Canales, an employee of the Defense Reutilization and Marketing Office (DRMO), Kelly Air Force Base, TX, pled guilty to one count of theft of Government property. While performing his duties in the DRMO Packing and Shipping Department, Canales removed over \$30,000 in surplus Government property and converted it for personal gain. Special Agent Kirby Rogers, San Antonio Post

of Duty (POD), conducted the investigation with the FBI and the USCS.

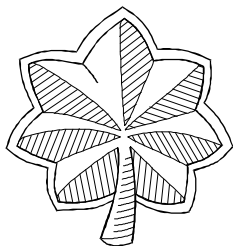
Medicaid Fraud

Wesley Miller, Jr., former Chairman of the Board for Big Creek Volunteer Rescue Squad, Incorporated (Big Creek), War, WV, and former mayor and chief of police for War, WV, pled guilty to conspiracy to commit mail fraud. Miller and others participated in a scheme to defraud Medicaid by having Big Creek employees make medically unnecessary ambulance runs, make ambulance runs without emergency medical technicians and having them sign forms for bogus ambulance runs. Payment claims for Big Creek were submitted to CHAMPUS and Medicaid through Quality Ambulance Services, Incorporated, War, WV. In a related case, Phillip Falgiani, a screener for Big Creek, pled guilty to one count of conversion of public property. Falgiani knowingly converted for his personal use Government property he obtained from the DRMS under the Federal Excess Property Program. Special Agents James Walker, Pittsburgh Post of Duty (POD), and Randy Grover, Columbus RA, conducted the investigations with the General Services Administration.



Sentences Embezzlement

Teasa Hutchins, Jr., Temple Hills, MD, was sentenced to 21 months incarceration, 3 years supervised probation, \$168,772 in restitution and a \$100 special assessment fee. Hutchins previously pled guilty to one count of embezzlement and theft of public money. Hutchins, a former civilian employee, was a military pay supervisor in the Finance and Accounting Office, Military District of Washington, Fort Myer, VA. From December 1994 through April 1997, Hutchins misused his position, his knowledge of military pay procedures and the operations of the DFAS to embezzle approximately \$168,772, which he converted for personal use. His scheme included fabricating a Social Security Number and creating a ghost account for a fictitious military member, Carol M. Jones, Lieutenant Colonel, U.S. Army; falsifying documents, forging signatures and placing false information into the DFAS military pay computer system. Hutchins, thus far, has repaid the Government about \$46,460 and has agreed to apply the proceeds of the sale of his real and personal property toward full restitution. Special Agent Peter Agustin, Mid-Atlantic FO, conducted the investigation with the USACIDC.



Contract Fraud

Robert D. Leas, Edgewood, MD, and American Construction Services, Incorporated (ACSI), Edgewood, MD, were sentenced as follows: Leas to 30 months incarceration, 3 years supervised release, a \$10,000 fine and a \$250 special assessment; ACSI to a \$20,000 fine and a \$500 special assessment. Leas and ACSI previously pled guilty to two counts each of submitting false claims and false statements and one count of obstructing a Federal audit. The ACSI specialized in above and underground fuel storage tank installation, excavation and hauling. The company was solely owned and operated by Leas. However, based on the false claim that Leas' wife was the sole owner of ACSI, the company was awarded contracts in excess of \$4 million under the small, minority, woman-owned preference. Actually Leas' wife was an ACSI employee and an aspiring country and western singer in Tennessee. At Leas' direction, the singing career costs and other personal expenses were charged to ACSI's overhead accounts, then billed to the Government as ACSI's ordinary business expenses. During a Defense Contract Audit Agency (DCAA) audit, false statements about the expenses were made by Leas and ACSI employees. In addition, a false claim in excess of \$1.8 million was submitted to the Federal Aviation Administration. That claim included personal expenses for an automobile and a trip to Hawaii and Tahiti. Special Agent Harry Armstrong,

Baltimore POD, conducted the investigation jointly with the FBI and the DoT.



Fraud

Harold Popplewell, chief executive officer, Intellisys, Incorporated (Intellisys), Syracuse, NY, was sentenced to 8 months in prison, 1 year of home confinement, 1,040 hours community service, 3 years supervised release, a \$30,000 fine and a \$50 special assessment for money laundering. Intelligent Military Systems, Incorporated (Intelligent), formerly known as Intellisys, was sentenced to 1 year of probation, \$478,000 in restitution and a \$200 special assessment for violating the Racketeer Influenced and Corrupt Organization statute. Popplewell established a bank account in the name of the Ewing Group, Limited, to disguise the receipt of Swiss investors' funds from creditors of Intelligent. He also caused a signature card to be signed in the name of a fictitious person, W. Ewing Westhall, whose signature appeared on checks written on the account. The funds were converted into cash and used for the business purposes of Intelligent. Suspension and debarment proceedings against Popplewell and Intelligent are pending. Special Agent Scott Miller, Syracuse RA, con-

ducted the investigation with the IRS and the Small Business Administration.

Health Care

Ashley B. Hart II, licensed psychologist, Yuma, AZ, was sentenced to 2 years probation, a \$3,000 fine, \$7,058 in restitution, 100 hours community service and a \$25 special assessment for theft of public money. An investigation determined that CHAMPUS claims for outpatient psychotherapy services submitted under Hart's CHAMPUS provider number and signed by Hart were actually performed by another CHAMPUS provider, Daniel S. Clifton, a mental health counselor. Under CHAMPUS regulations, Hart, a Ph.D. level counselor, does not require a physician's referral prior to counseling patients; however, Clifton does. Suspension/debarment action is being pursued. Special Agent Janice Flores, Phoenix RA, conducted the investigation jointly with the FBI.



Contempt of Court

Diane L. Schrang pled guilty in U.S. District Court, St. Louis, MO, to criminal contempt of a court order. Immediately following, she was sentenced to time served. In 1992, Diane Schrang was issued a grand jury subpoena during an investigation of criminal activity by Neese Coated

Fabrics, Incorporated, and its president, Stephen J. Schrang. The company and Stephen Schrang allegedly filed false and fictitious material test reports for coating tent material in association with a contract awarded by the Defense Personnel Support Center, Philadelphia, PA. At appearance before the grand jury, Diane Schrang invoked her privilege against self-incrimination and requested counsel. Her attorney filed a motion to quash the subpoena, which was subsequently denied. The Schrangs fled the United States. On August 12, 1997, Diane Schrang was deported from Canada, arrested and returned to St. Louis, MO, where she remained incarcerated until sentencing. Her husband is in Canada awaiting extradition. Special Agent Phil Dabbs, Central FO, conducted the investigation.

Product Substitution

The BSB Products Corporation (BSB), Buffalo, NY, was sentenced to a \$4,000 fine and a \$125 special assessment for filing false statements. The BSB manufactured dowel pins with various applications, to include fastening construction framing. An investigation determined the company provided false certifications stating its dowel pins met military standards. The military specifications required a double shear force test be performed on the dowel pins to determine the breaking point of the metal. The BSB conducted that test only when the DoD prime contractor specifically requested the test. Special Agent William Bates,

Syracuse RA, conducted the investigation.

Tax Evasion

William Naldrett, former vice president, Med-Atlantic Petroleum Corporation (Med-Atlantic) and a former U.S. Navy captain, was sentenced to 24 months probation (4 months to be served as home confinement), a \$5,000 fine and a \$100 special assessment for income tax evasion. In a related case, Howard Miniter, former vice president of Marine Carriers USA, Incorporated (Marine Carriers) and a former U.S. Navy captain, was sentenced to 2 years probation and a \$200 special assessment for receipt of unlawful gratuities. From 1990 to 1994, Jacqueline Plecas, president of Med-Atlantic, overcharged the DoD in excess of \$20 million by misstating and inflating fuel prices for bunker fuel as charges permitted under the applicable contracts. Plecas conspired with her subcontractors to fraudulently overcharge on Defense Fuel Supply Center (DFSC) contracts and the proceeds were split between the co-conspirators. Between 1990 and 1992, Naldrett received \$207,800 of those proceeds that he did not report on his income tax returns. During 1991 and 1992, Miniter received nearly \$17,000 in the form of cash, a check and property with a redeemable cash value from a Med-Atlantic representative. In return, Med-Atlantic acted as a broker for refueling of 10 ready reserve ships activated during the Persian Gulf War. At the time, the ships came under the jurisdic-

tion of the U.S. Navy Military Sealift Command. Naldrett and Minter were suspended from Government contracting and debarment proceedings are pending. Special Agent Kenneth Siegler, New York RA, conducted the investigations with the IRS and the NCIS.



Conflict of Interest

Harold G. Fink, a former GS-13 intelligence specialist with the U.S. Army 902nd Military Intelligence Group (902nd MI), Fort Meade, MD, was sentenced to 33 months incarceration, 24 months supervised probation, \$2,000 restitution and a \$100 special assessment for conspiracy. In addition, John W. Hart, a former GS-12 intelligence specialist with the 902nd MI, Fort Meade, was sentenced to 27 months imprisonment and a \$100 special assessment for conspiracy. Fink and Michael Joslin, a former noncommissioned officer with a 902nd MI subunit, started a company named Technology Protection, Incorporated (TPI). The TPI was designed to provide services and training to DoD personnel on technology protection programs and systems, specifically for system security and integrity during the research and development phases of systems acquisition until the actual items arrive in the field. Fink and

Joslin later solicited Hart and Donald Hicks, a retired Army major, to assist with TPI. Hicks also enlisted the help of his sister, Major Delores Clark, U.S. Air Force. To obtain funding and contracts for TPI, Joslin and Fink attempted to use their current or former Government positions. Hicks attempted to obtain DoD contracts through his sister, Clark. Fink and Hart have been terminated from their Government positions and charges against Clark were dismissed. Special Agent Michael Alexander, Baltimore POD, conducted the investigation jointly with the FBI and the USACIDC.



Civil Informations Theft

A civil complaint was filed against Kenneth Grace, Castro Valley, CA, charging him with one count of violating the False Claims Act. An investigation disclosed that Grace allegedly forged the signature of deceased Staff Sergeant Norman Harness, U.S. Army (retired), on a DFAS annual certification of benefits, thus allowing Harness' retirement benefits to continue. Grace then used automated teller machines

to withdraw \$16,580 from Harness' bank account. Special Agent Andrea McTair, San Francisco RA, is conducting the investigation.

Environmental Fraud

A civil complaint was filed against Domestic Industries, Incorporated (Domestic), Esmond, RI; Joseph Santoro, president, Domestic; Domestic Industries of Virginia, Incorporated (Domestic Va), Chesapeake, VA; and John C. Santoro, Jr., president, Domestic Va. The defendants are charged with allegedly submitting false claims in conjunction with supplying and delivering No. 5 burner oil to the Naval Weapons Station, Yorktown, VA, under DFSC contracts. Domestic Va is also charged with allegedly violating EPA regulations under the Resource Conservation and Recovery Act. Over 213 claims for payment were submitted for the delivery of burner oil products that failed to meet DFSC contract specifications. The investigation determined that quantities of used and waste oil were obtained at 50 to 70 percent below market prices and substituted for the contract specified burner oil products. The documentation provided with the deliveries misrepresented the quality and quantities of burner oil and formed the basis for the payment of claims. The Government loss is approximately \$1,550,908. Special Agent Henry Myers, Norfolk RA, is conducting the investigation with the FBI, the NCIS and the IRS, with DCAA audit assistance.



To report suspected fraud involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.

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